

MINUTES OF MEETING NORTH SPRINGS IMPROVEMENT DISTRICT

The regular meeting of the Board of Supervisors of the North Springs Improvement District was held Wednesday, December 5, 2012 at 5:00 p.m. in the district office, 9700 N.W. 52nd Street, Coral Springs, Florida.

Present and constituting a quorum were:

David Gray	President
Vincent Morretti	Secretary
Mark Capwell	Assistant Secretary

Also present were:

Doug Hyche	District Manager
Dennis Lyles	District Counsel
Rod Colon	Director of Operations
Mimi Ortega	NSID
Jane Early	District Engineer
Nick Schooley	Drainage Supervisor
Donna Holiday	GMS-South Florida, LLC
Kevin Mulshine	MBS Capita Markets, LLC
Denise Ganz	Greenspoon Marder
James Weiss	Resident

FIRST ORDER OF BUSINESS

Roll Call

Mr. Hyche called the meeting at 5:00 p.m.

SECOND ORDER OF BUSINESS

Approval of the Minutes of the November 7, 2012 Meeting

Mr. Hyche stated the next item is approval of the minutes of the November 7, 2012 meeting.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the minutes of the November 7, 2012 meeting were approved as presented.

THIRD ORDER OF BUSINESS

Consideration of Engagement Letter with Greenspoon Marder for Bond Counsel Representation of the North Springs Improvement District Taxable Special Assessment Refunding Bonds, Series 2012 (Heron Bay Project)

Mr. Hyche stated the next item is consideration of engagement letter with Greenspoon Marder for bond counsel representation of North Springs Improvement District taxable special assessment refunding bonds, series 2012 – the Heron Bay project.

Mr. Lyles stated you have worked with in the past and approved retaining Denise Ganz initially when she was with the firm of Ruden McClosky. That firm has recently merged with Greenspoon Marder and that fact was made aware to you last time around. This is merely the next step in a series of financings that we undertake from time to time. This is an engagement letter much like an engineering task order that you see that sets out the terms and conditions of Denise's handling of this refunding issue coming up involving Heron Bay Commons. Denise is here today and we will be talking about the issue in a little more detail but if any of you have any questions for her the time is now regarding this engagement. I think Doug and I can tell you that these are the same terms and conditions in fact we are getting a slightly lower fee associated because of the nature of the financing from Denise and her firm. Management and district counsel both are prepared to recommend that you approve this engagement letter.

Ms. Ganz stated we are pleased to be able to continue to work with the district and work on its financings.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the engagement letter with Greenspoon Marder for bond counsel services for the taxable special assessment refunding bonds series 2012 was approved.

FOURTH ORDER OF BUSINESS

**Adoption of Resolution 2013-10
Authorizing the Issuance of Not
Exceeding \$3,265,000 in Aggregate
Principal Amount of its Taxable Special
Assessment Refunding Bonds, Series 2012
(Heron Bay Project) to be Applied together
with Other Legally Available Funds of the
Issuer to:**

- I. Refund the Issuer's Outstanding Special Assessment Bonds, Series 1997
(Heron Bay Project)
- II. Fund the Reserve Fund for the Series 2012 Bonds
- III. Pay Costs of Issuance of the Series 2012 Bonds
- IV. Approving the Form and Authorizing Execution of a Trust Indenture and
Loan Agreement Relating to the Series 2012 Bonds
- V. Appointing Trustee, Paying Agent and Registrar for the Bonds; Providing
for the Negotiated Sale of the Series 2012 Bonds to Branch Banking and
Trust Company
- VI. Approving the Form and Execution of an Escrow Deposit Agreement and
Appointing an Escrow Agent Thereunder
- VII. Authorizing Other Required Actions
- VIII. Providing for Severability and Providing an Effective Date
- IX. Setting Pre-Closing Date
- X. Setting Closing for December 29, 2012

Mr. Hyche stated Kevin Mulshine will give a presentation on the bond.

Mr. Mulshine stated we are talking today about the Heron Bay Commons bonds that were issued in 1997 to finance the recreational facilities. This bond issue has always been a candidate for refunding because it has a 7% coupon on it from 1997 when interest rates were higher. The issues involved with this bond issue are the fact that the use of the club was maybe a little too restrictive we ran into some issues as to whether that fits the guidelines for the issuance of federal tax exempt bonds and the fact that WCI, which filed bankruptcy a long time ago still owned about 500 of the lots and to put that in perspective there are about 3,000 folio numbers out there. When staff pressured us to finally find a solution we sent proposals to a lot of different banks because this financing matures in 2019 therefore, we thought it was short enough where maybe a bank would be interested because banks like to keep things a little shorter in duration. We worked with some banks and BB&T sent us a proposal that kind of knocked our socks off and we went from our current interest rate of 7% and they quoted an interest rate of 2.32% taxable fixed for the remaining life of the debt.

Right now we have \$4,075,000 of 7% bonds outstanding, which takes \$738,000 a year principal and interest and matures May 1, 2019. Compare that if you approve the refunding today to the numbers in your documents and you will see a not to exceed number of \$3,265,000 and we have been able to get it down to \$3,175,000 an interest rate of 2.32% taxable so the maximum annual debt service is \$502,110 and that is a reduction of \$236,690 a year or roughly 32% reduction in the assessments.

It will affect next year when you set your budget you will be able to reduce assessments but since you have already levied your assessments for this year you will actually produce a little over \$200,000 of excess this year and at the end of the year after collecting that it is up to board to figure out what to do with it next November.

Ms. Ganz stated we have a proposed idea of what to do with it.

Mr. Mulshine stated we worked with your assessment folks and did a comparison of what the future assessments will be to pay off this debt versus the

existing debt and right now you have about 3,025 homes that are levied \$245 per year for an assessment that would reduce to \$178.48 about a 32% reduction of \$66.52 reduction in their bill next year versus what was levied this year.

It was a great proposal it came in quick and when a bank sends us a proposal as you can understand when they say we will fix this at 2.32% they kind of give us a window and in this case it was only 45 days to close it and lock that rate in that is why I'm bringing everything to you tonight. Denise has done a ton of work to have the documents ready if you do want to approve it but it is a tremendously attractive rate and obviously provides great savings.

Mr. Gray stated we don't have a problem if it is rushed if we are saving that kind of money so I'm good with that.

Mr. Mulshine stated I will turn it over to Denise to discuss what you need to do to lock in those savings.

Ms. Ganz stated basically we are going to ask you to adopt a resolution authorizing refunding bonds, taxable special assessment refunding bonds, the proceeds of which will be used to refinance or pay off the 1997 bonds and because of the requirement that we provide notice to the holders of those bonds that we are going to redeem those bonds we have to wait until we close to give that notice. Basically when we close the bond issue, which we are planning to do on the 19th if you approve this we will take the proceeds of the bonds that are necessary to pay off those 1997 bonds put them in an escrow account held by U.S. Bank, who is your trustee and escrow agent and then on January 18th approximately 30 days later from the closing the proceeds will be released from escrow to redeem those bonds and then it will be gone, it will be paid off on January 18th. The proceeds of those bonds that you would be authorizing now would primarily be used to fund that escrow account.

In addition the bank's term sheet has required that you provide a debt service reserve fund that is equal to 50% of the maximum annual debt service just to have a

little cushion to have a fund basically set aside if there was ever a shortfall in amounts collected from assessments to pay the principal and interest on these new bonds. I don't think historically you have ever had a collection issue in that assessment area but it was a requirement in the term sheet.

The balance of the proceeds would be used to pay cost of issuance associated with the bonds.

The resolution basically approves the documents that you need to accomplish this financing.

One of the documents is the trust indenture and loan agreement and that is basically the loan arrangement between the bank and the district and it also provides for the duties of U.S. Bank National Association as the trustee. It sets forth the form of the bond and terms and conditions that we discussed, the interest rate, the final maturity of the bonds, the interest and principal payment dates and so on and the redemption features. Basically the bonds are allowed to be prepaid once a year from assessments that are collected as prepayments made by residents and landowners in the assessment area and otherwise the bonds can only be prepaid with a 1% premium and they have to be paid in whole and that can only occur on a principal payment date. The thinking is with this interest rate and for the short period of time that these bonds remain outstanding, which is until 2019 that is probably an acceptable prepayment arrangement that the bank would want to protect its position.

One of the other things that was discussed with district staff and counsel is that as Kevin said there is going to be some money because you collect assessments in advance so you are collecting based on the higher interest rate and the higher assessment level so that would mean doing this refinancing and reduce the debt service on the debt you are going to have some cash that will move over from the funds and accounts that are set up for the 1997 bonds to the funds and accounts that are set up for the 2012 bonds. I think you are going to have about \$200,000 extra and because that

results from assessments paid by residents and landowners in Heron Bay the concept was that we would create within this trust indenture document what we call a renewal and replacement fund and it basically says those excess revenues that we just described and as we go forward each year as you collect the assessments and pay the principal and interest and it kind of flows through those buckets for principal and interest and if there is any excess left over at the end of each year then that money as well would go into the renewal and replacement fund and it would be used to do renewals, replacements and capital improvements that are related to the Heron Bay Commons recreational facilities. Basically the assessments that the people are paying for debt service to the extent they are not needed to pay debt service would be used for capital related items for this project for which they are being assessed. That is what we have built into this document.

This is what you are going to accomplish in this document, approve the trust indenture and loan agreement substantially in the form attached, the escrow deposit agreement that I described substantially in the form attached, you authorize the bonds with the details that we described in terms of the interest rate, maturities and redemption features, you authorize the negotiated sale of those bonds to Branch Banking and Trust Company. There are findings why that was the appropriate one to sell these bonds to. MBS will serve as the placement agent in connection with arranging for that purchase and sale by the bank. You will appoint U.S. Bank National Association as the trustee and escrow agent under the trust indenture and escrow deposit agreement. Finally, there are just miscellaneous authority so that we can go forward now and prepare all of the final closing documents that we will need and take care of whatever else we need to do to wrap this up and get it closed by the 19th.

Mr. Capwell asked how does the 50% debt service reserve work that is held by the trustee.

Ms. Ganz responded it is held by the trustee, it comes out of the bond proceeds and it is only drawn on if there is a potential shortfall in assessment collections that pay principal and interest.

Mr. Mulshine stated what will happen logically in 2019 when you reach your final year you will have 50% of the debt service already there and there is also a provision in the documents where if you have some additional revenues you can just forego that payment and collapse the bonds against that reserve. You will get the benefit in the last year of at least reducing it by half or maybe the entire thing.

Ms. Ganz stated one way or the other that will come back to you either through assessments that you collected and didn't need or the reserve at the end of the maturity of the bonds.

Mr. Hyche stated at this time we will entertain a motion to adopt Resolution 2013-10.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2013-10 was approved.

FIFTH ORDER OF BUSINESS

Consideration of Resolution 2013-11 Adopting a Backflow Prevention Policy

This item deferred to a future meeting

SIXTH ORDER OF BUSINESS

Staff Reports

A. Manager – Award of Contract for Ground Storage Tank Maintenance Repair

Mr. Colon stated the administrative code requires us to take the tanks down every five years for inspection and cleaning. We had an inspection by the county quite a few months ago and they noticed some deficiencies in the tanks. Based on those deficiencies and based on the last time we took the tanks down five years ago they are

requiring us to take the tanks down and do some internal sealing of the storage tanks to protect the integrity of the tanks. To remain compliant with the Broward County Health Department this is a project that we have to do. We are recommending Ruzzano Construction in the amount of their low bid of \$159,000.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the contract for the ground storage tank maintenance repair was awarded to Ruzzano Construction, Inc. in the amount of their low bid of \$259,000.

B. Attorney

Mr. Lyles stated our efforts on behalf of the district have been primarily in connection with the bond issue, which you heard about earlier and authorized and also as you are all acutely aware our proceedings with Broward County concerning our lack of meeting of minds over the meaning of the Large User Agreement. You were all present for the mediation and I want to say for the record that I had reported back that a stellar performance on behalf of the district and its residents was turned in by the President, Mr. Gray and I just want to say I heard very high marks about the content and the delivery of your presentation and I just wanted to note that.

Mr. Gray stated thank you I enjoyed it.

C. Engineer

Consideration of Work Authorization 218 10" Force Main – County Line Road East of Nob Hill Road ESDC for a Lump Sum in the Amount of \$45,250

Ms. Early stated in your agenda you have work authorization no. 218 for the 10" force main that we are going to be installing east of Nob Hill Road towards University Drive. This is for the inspection services, we will have onsite inspections then we will

certify the project once it is complete. I believe this is being funded through advance funds from Lennar.

Mr. Colon stated that is right they have already submitted a check based on the funding agreement that you approved a couple months ago. This work authorization was given to Lennar and Standard Pacific and they were happy with the numbers.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor work authorization 218 was approved.

Consideration of Amendment 3 to Work Authorization 198 Chemical Building SDC for a Net Increase of \$3,000

Ms. Early stated amendment no. 32 to work authorization no. 198 for the chemical building is also inspection services. That project was due to be completed in April and there have been some modifications to the chemical feed system and we have some ongoing back and forth with submittals and reviews in order for us to get that project certified through the health department. We anticipate that everything will be submitted and approved in January.

Mr. Colon stated the project ran over because we had an issue with some of the equipment we bought from Chemical Injection Technologies it just didn't work so we didn't pay the contractor for the equipment, which we still have and we decided to put a different type of disinfection system in there, which caused a delay in the project.

Mr. Gray asked is that complete now?

Mr. Colon responded it should be almost complete. There is some telemetry work that needs to be done.

Ms. Early stated some startup and final certifications is what we are doing now.

Mr. Gray asked is the replacement system we put in operational?

Mr. Colon responded the replacement system works it was tested but is not in operation right now.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor amendment 3 to work authorization 198 was approved.

Permit Request City of Parkland

Ms. Early stated I have an additional item. I received a permit review yesterday from Brenda for Holmberg Road. The City of Parkland wants to add some bike lanes on Holmberg Road between Pine Island and University Drive. I did the review and they have to provide some pretreatment, which they want to provide in a swale but the engineering calculations aren't correct but everything else is in place and he knows what he is going to change. I recommend we approve it subject to them submitting the final corrected drainage calculations. Once I get those I will give our letter to the district but rather than hold them up for another month I don't see a problem if you approve it subject to me getting the final corrected calculations.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the right of way permit requested by the City of Parkland for the construction of bike lanes on Holmberg Road between Pine Island and University Drive was approved subject to receipt of corrected drainage calculations.

Project Status Report

Ms. Early stated the last item is the project status report. We will be getting started on the force main on County Line Road as well as Nob Hill Road. We have a preconstruction meeting scheduled this week.

We are moving along with the R.O. construction as you can see onsite.

If you have any questions I will be more than happy to answer them.

SEVENTH ORDER OF BUSINESS

**Approval of Financials and Check
Registers**

On MOTION by Mr. Gray seconded by Mr. Morretti with all
in favor the financials and check registers were approved.

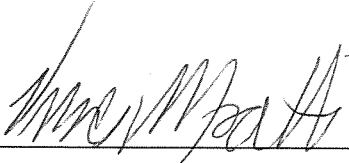
Mr. Weiss stated I would like to say as a resident of Heron Bay I think this bond issue is an incredible piece of work over a two month period on behalf of the residents of Heron Bay. I congratulate you and I applaud you for having taken the effort so that all 3,000 residents will have some savings as a result of this over the next five years. I think it is great work.

Since the Commons is going from a tax-exempt to a taxable status on the bonds does that impact the necessity of having the Commons a public facility open to the public now that it is not tax exempt flowing under the IRS? Can the Commons at the end of the existing memberships can that be terminated?

Mr. Lyles responded that is a complex question and it doesn't have an easy yes or no answer. What we have done we think is not only saved money for the residents in terms of their assessments but we are aware of questions that have been posed over the years we think we have taken a step toward satisfying on a going forward basis those questions. There still is more than one point of view on the terms and conditions under which the bonds when this was under the control of WCI were originally issued and how the original management contract functioned and I cannot report to the board or in answer to your question to you that this is all one way. I can tell you that we have strengthened our position on a going forward basis in this regard but that again this is a facility that is owned by a government agency so it will still remain public in terms of

its ownership. The degree to which we are able to modify some of the operational issues we are going to explore as we move along.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the meeting adjourned at 5:25 p.m.



Vincent Morretti
Secretary



David Gray
President